Lagenda Properties (LAGENDA MK)

Offers Attractive Dividend Yield Of 6.6-8.0% For 2026

BUY (Maintained)	
Share Price	RM1.23
Target Price	RM1.74
Upside	41.3%

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Highlights

- Official clearance from MACC and a strong earnings growth in 2026 (+48% yoy) should eventually support a valuations re-rating. The stock currently trades at 0.9x P/B (-1.5SD below mean) and offers a compelling dividend yield of 6.6-8.0% for 2026.
- Lagenda is on track to meet its sales target of RM1.5b, supported by a stronger launch pipeline and booking-to-sales conversion from its Kulai launches.
- Maintain BUY with an unchanged target price of RM1.74.

Analysis

- **Official clearance from MACC.** We note that at end-24, the Malaysian Anti-Corruption Commission (MACC) formally cleared the senior group member who was asked to assist as a witness in an investigation, a development that investors may not have been fully aware of. While some perception risk may linger due to the delayed disclosure, we believe this official clearance should eventually remove the valuation overhang. The stock currently trades at 0.9x P/B (-1.5SD of mean), vs its peak of 1.5x 12-month forward P/B (+1SD above mean), with potential upside backed by strong earnings in the coming years.
- **Second phase of Kulai township has an over 80% take-up rate (inclusive of bookings), comprising 1,858 units with RM650m in GDV.** Lagenda is on track to achieve its sales target of RM1.5b (+30% yoy), with 1H25 sales of RM665m already accounting for 44% of the full-year target. This will be underpinned by: a) a stronger launch pipeline (RM1.1b slated for Aug-Dec 25), bringing total launches to RM2.0b (8,000 units); and b) booking-to-sales conversion from Kulai phases launched in Mar 25 and end-Jul 25, which accounted for 40% of its full-year launch target.
- **Demand for affordable homes should stay resilient,** supported by policy tailwinds and strategic landbanking. The government has signalled that affordable housing will be a priority in Budget 2026, with potential financing enhancements (such as rent-to-own schemes, tiered interest rates, and longer loan tenures) set to benefit the B40/M40 buyer base. On the ground, Lagenda Properties' (Lagenda) Mersing and Kulai landbanks (35-40% of remaining GDV), as well as its latest entry into Senawang (5% of remaining GDV), position it to capture spillover demand from industrial growth within both the SEZ and MVV 2.0 corridors.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net Turnover	835	989	1,170	1,646	1,770
EBIT	229	273	292	420	460
Net Profit (Reported/Actual)	149	185	185	273	299
Net Profit (Adjusted)	149	169	185	273	299
EPS (sen)	13.0	14.9	16.2	24.1	26.4
PE (x)	9.4	8.3	7.6	5.1	4.7
P/B (x)	1.3	1.1	1.03	0.9	0.8
EV/EBITDA (x)	4.3	5.5	5.7	4.4	3.8
Dividend Yield (%)	5.3	5.3	5.4	6.6	7.3
Net Margin (%)	17.8	17.1	15.8	16.6	16.9
Net Debt/(Cash) to Equity (%)	NET CASH	40.8	51.5	47.9	36.6
Interest Cover (x)	12.5	11.2	7.6	10.0	10.0
ROE (%)	13.5	15.1	13.5	17.4	16.7
Consensus Net Profit			194	258	316
UOBKH/Consensus (x)			1.0	1.1	0.9

Source: Lagenda, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	LAGENDA MK
Shares issued (m):	837.1
Market cap (RMm):	1,029.6
Market cap (US$m):	244.2
3-mth avg daily t'over (US$m):	0.1

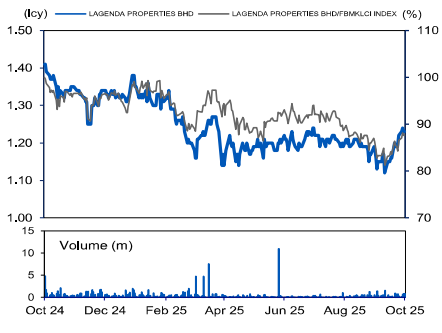
Price Performance (%)

52-week high/low				RM1.44/RM1.09
1mth	3mth	6mth	1yr	YTD
5.1	(10.8)	7.9	(10.9)	(6.1)

Major Shareholders

	%
Dato' Doh Jee Ming	60.4
UJSB	1.9
AIA Bhd	1.8
FY25 NAV/Share (RM)	1.62
FY25 Net Debt/Share (RM)	0.83

Price Chart



Source: Bloomberg

Company Description

Lagenda is involved in the property development and construction businesses, primarily focusing on providing affordable homes to cater to the B40 and M40 income groups.

- **Progress billing catch-up to drive 2026 earnings.** Earnings growth should accelerate in 2026, driven by faster progress billings after the record RM2.2b launch in 2025 (2024: RM1.1b). Typically, township launches have a gestation period, with stronger billings recognition occurring in the mid-to-late stages of construction. This is evident from the surge in unbilled sales to RM1.05b (1Q25: RM899m) with outstanding bookings of RM277m (1Q25: RM269m) as of end-2Q25, implying that sales are outpacing progressive billings.
- **Compelling dividend play vs REITs.** Lagenda has been paying a dividend of >30% over the past three years, above its dividend policy of 25%. For 2026, we estimate dividend per share at 8.2-9.8 sen, based on a dividend payout of 25-30%, implying an attractive dividend yield of 6.6-8.0%. Importantly, we understand there is no intention to convert the substantial shareholders' outstanding redeemable convertible preference shares (RCPS) into ordinary shares in the near term to avoid any EPS dilution at current levels. The RCPS will expire in 2028. Hence, we view it as a compelling dividend play, offering superior yields vs the REIT sector, which is currently trading at a 5.5% forward yield.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM1.74, based on a 37% discount to RNAV per share of RM2.76.** Our target price implies 1.3x 2026F P/B (+0.5SD to five-year mean: 1.2x) and 7.2x 2026F PE. Lagenda is a prominent player in the affordable space segment, focusing on single-storey homes for the B40/lower-M40 groups. We like the company for its ability to fetch higher profitability than its competitors, due to its advantageous low land costs (with a land cost-to-GDV ratio of around 10%) and efficient construction methods. These factors position Lagenda as the highest ROE performer, yielding 17% among affordable property developers and across our broader developer universe.

Earnings Revision/Risk

- None.

Environmental, Social, Governance (ESG)

Environmental

- Lagenda is proposing residential solar installation, bolstering its ESG credentials.
- Targets to reduce GHG emissions by 10% by 2025 and 45% by 2030, using 2021 as a baseline.

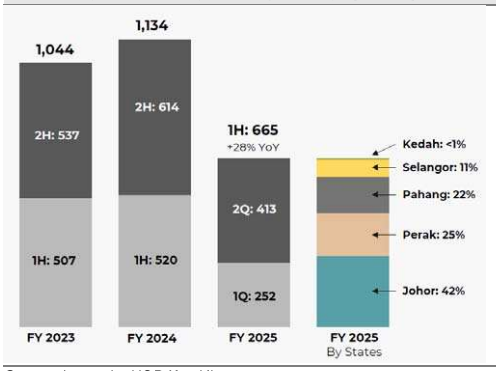
Social

- Promotes diversity with a 33% female board representation.

Governance

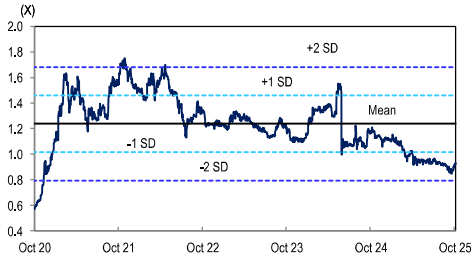
- Six out of nine members of Board Directors are independent.

Property Sales By Geography (2025)



Source: Lagenda, UOB Kay Hian

12-Month Forward P/B Band



Source: Lagenda, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**989**	**1,170**	**1,646**	**1,770**
EBITDA	278	301	429	470
Deprec. & amort.	5	8	9	10
EBIT	273	292	420	460
Associate contributions	1	0	0	0
Net interest income/(expense)	(24)	(34)	(38)	(42)
Pre-tax profit	**249**	**259**	**381**	**418**
Tax	(64)	(73)	(108)	(119)
Minorities	0	0	0	0
Net profit	185	185	273	299
Net profit (adj.)	**169**	**185**	**273**	**299**

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	51	53	54	55
Other LT assets	755	862	1,072	1,139
Cash/ST investment	317	273	307	509
Other current assets	1,424	1,727	2,000	2,119
Total assets	**2,545**	**2,914**	**3,432**	**3,822**
ST debt	745	596	477	381
Other current liabilities	488	574	801	859
LT debt	71	371	571	771
Other LT liabilities	20	22	28	29
Shareholders' equity	1,222	1,352	1,557	1,781
Minority interest	0	0	0	0
Total liabilities & equity	**2,545**	**2,914**	**3,432**	**3,822**

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**(429)**	**(29)**	**32**	**182**
Profit fo the year	249	259	381	418
Tax	(64)	(73)	(108)	(119)
Deprec. & amort.	5	8	9	10
Associates	(1)	0	0	0
Working capital changes	(562)	(222)	(250)	(127)
Non-cash items	0	0	0	0
Other operating cashflows	(57)	0	(0)	0
Investing	**(10)**	**(110)**	**(10)**	**(10)**
Capex (growth)	0	(100)	0	0
Investment	108	108	108	108
Others	(118)	(118)	(118)	(118)
Financing	**450**	**96**	**13**	**30**
Dividend payments	(64)	(56)	(68)	(75)
Proceeds from borrowings	513	300	200	200
Loan repayment	(3)	(149)	(119)	(95)
Others/interest paid	4	0	0	0
Net cash inflow (outflow)	11	(43)	34	202
Beginning cash & cash equivalent	236	317	273	307
Changes due to forex impact	70	0	0	0
Ending cash & cash equivalent	**317**	**273**	**307**	**509**

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	28.1	25.7	26.1	26.5
Pre-tax margin	25.2	22.1	23.2	23.6
Net margin	18.7	15.8	16.6	16.9
ROA	7.7	6.8	8.6	8.3
ROE	15.9	14.4	18.8	17.9
Growth				
Turnover	18.4	18.3	40.8	7.5
EBITDA	19.1	8.1	42.7	9.5
Pre-tax profit	17.1	3.4	48.2	9.5
Net profit	24.8	(0.2)	48.2	9.5
Net profit (adj.)	14.0	9.2	48.2	9.5
EPS	14.0	9.2	48.2	9.5
Leverage				
Debt to total capital	40.0	41.7	40.2	39.3
Debt to equity	66.7	71.5	67.3	64.7
Net debt/(cash) to equity	40.8	51.3	47.5	36.1
Interest cover (x)	11.5	8.9	11.2	11.2

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